

# Fairfax County Economic Index

Volume X, Number 1

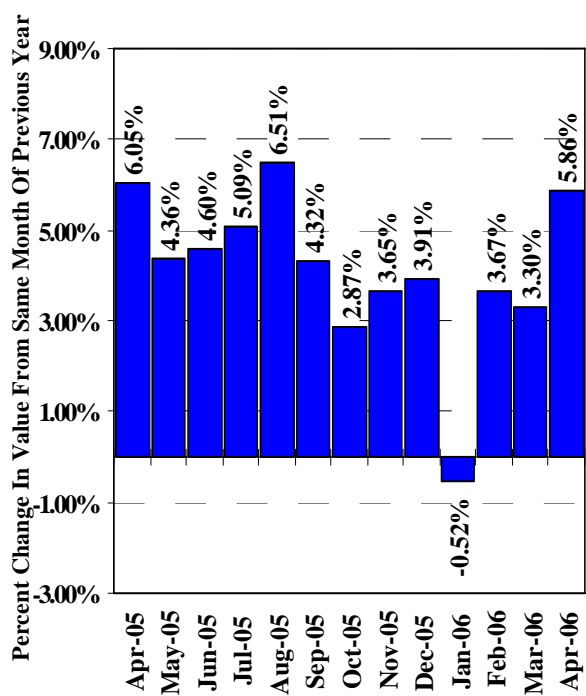
June 2006

## The Fairfax County Economy Registered Strong Gains in April: Outlook Remains Good

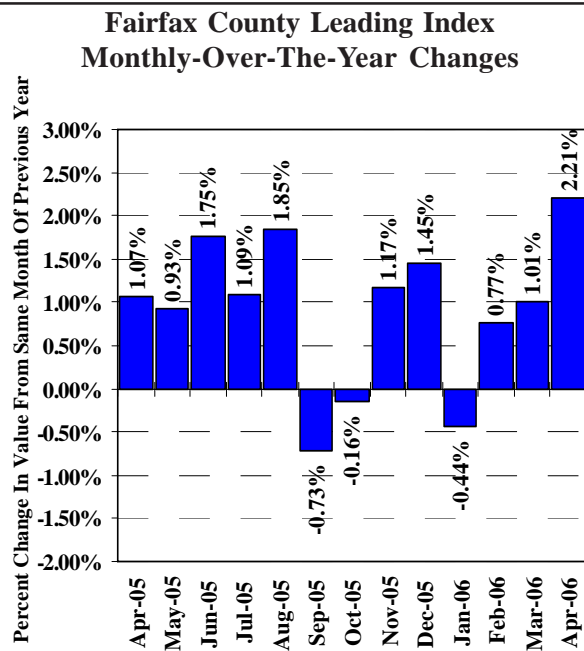
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 139.61 in April for a gain of 1.88 percent. On a monthly over-the-year basis, the Coincident Index was up 5.9 percent extending monthly gains to a third consecutive month. The Index has increased monthly over-the-year in twenty-eight of the past twenty-nine months (January 2006 was the sole negative month). In April, three of the Index's four indicators were positive.

- Consumer confidence (in the present) was up for a sixth month;
- Total employment increased for the third time in four months; and,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, registered a gain, the second in six months; while,
- Sales tax revenues, adjusted for inflation and seasonal variation, decreased after its strong March advance.

**Fairfax County Coincident Index  
Monthly Over-The-Year Changes**



Source: Center for Regional Analysis, George Mason University



Source: Center for Regional Analysis, George Mason University

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in advance, decreased slightly to 109.91 in April for a loss of 0.09 percent. On a monthly over-the-year basis, the Index has been up in each of the last three months following its decline in January. Since turning positive 37 months ago, the Leading Index has been up in 34 months and down in only three.

In April, two of the Index's three component indicators contributed to its decline.

- Automobile registrations decreased in April following two strong monthly gains; and,
- Initial claims for unemployment insurance increased (worsened) after improving in February and March; while,
- Consumer expectations (consumer confidence six months hence) increased for the second time in three months.

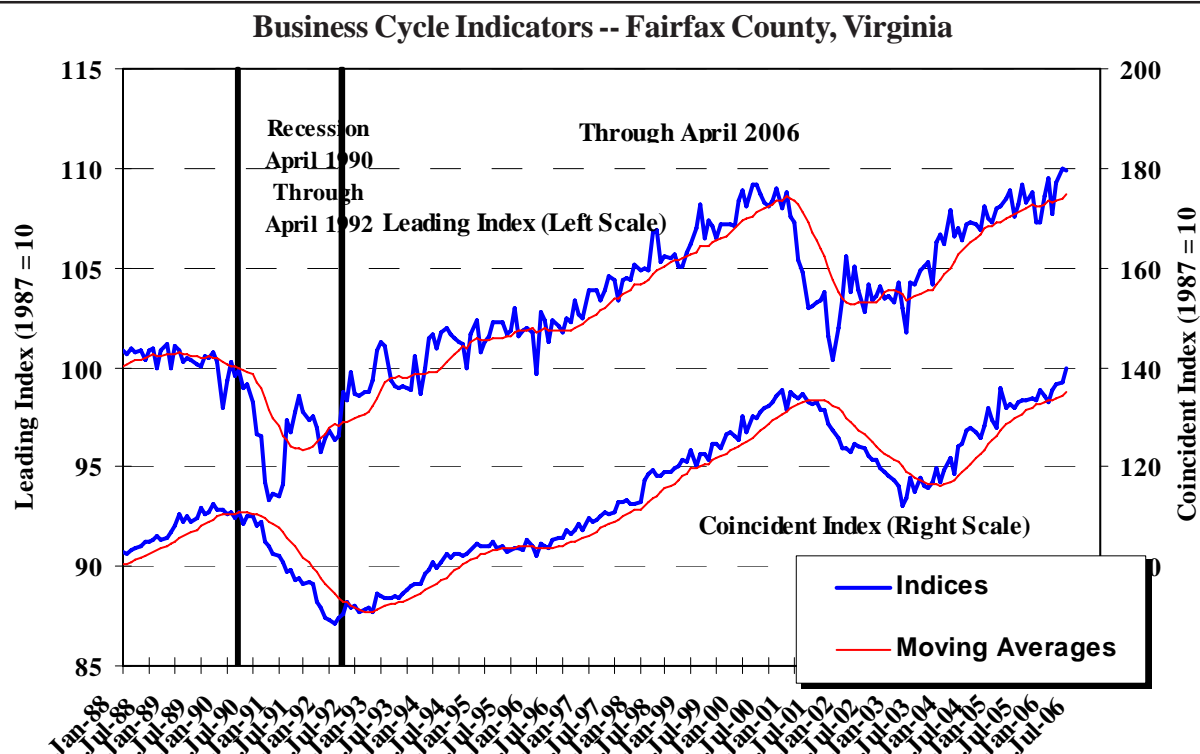
The Coincident Index set a new record in April and now exceeds its pre-recession peak value set in July 2000 by 3 percent. Since the County

began the current expansion twenty-nine months ago, the Index has grown by 19.3 percent gaining 5.9 percent over the past twelve months. These gains reflect the economy's broad-based strengths as reflected in its 3.6 percent job growth. While the Leading Index slipped slightly in April, it also has registered strong growth since the start of the current expansion gaining almost 10 percent. However, the Leading Index has slowed its rate of increase over the past year adding only 2.2 percent since April of 2005. This performance pattern points to continuing economic growth but suggests that the rate of growth is likely to moderate over the year's second half and into next year.

## CURRENT CONDITIONS

The strong performance of the Fairfax County economy has been built on balanced growth as reflected in all of its major indicators. Job growth remains the key indicator with the economy adding approximately 22,000 net new jobs over the past 12 months accounting for 30 percent of all new jobs in the Washington metropolitan area. Other labor market indicators confirm the economy's strength. The unemployment rate in April was 2.3 percent down from 2.5 percent in April 2005 and well below the Area's rate of 2.9 percent. While initial claims for unemployment insurance were up slightly in April from March on a seasonally adjusted basis, they are down 14.6 percent from April of 2005.

Other coincident indicators reflect this same pattern. Transient occupancy tax revenues were up almost 20 percent on a seasonally adjusted basis from April 2005 while sales tax receipts (seasonally and inflation adjusted) were up 1.6 percent. Finally, consumer confidence has improved substantially over the past year gaining 18.7 percent and now stands at 159.3 (values higher than 100 are consistent with an expansion). These indicators confirm the health and inherent strength of the County's economy and suggest that its expansion has not yet reached its peak.



Source: Center for Regional Analysis, George Mason University

## NEAR-TERM OUTLOOK

The Leading Index continues to trend higher but its rate of increase has moderated this year and its indicators are not all positive on a consistent basis. While Consumer Expectations has turned positive this year gaining 22.4 percent from April 2005 after lagging during the middle of 2005 and initial claims for unemployment insurance (newly laid off workers) have declined (improved) by 14.6 percent, new automobile registrations have varied from month-to-month and were slightly lower in April 2006 than in 2005. This performance mix suggests that consumers are growing more cautious with their spending for expensive and durable goods (this includes housing) as uncertainty regarding the economy's future increases. If this slowing of consumer spending continues it will lead to slower economic growth over the coming year.

The Leading Index is no longer accelerating but appears to be pointing to slower growth in the coming months. This is the pattern the Index followed during the mid-1990s after sustaining gains

over three years it tracked a more moderate trend for more than a year before re-accelerating for four more years. If the Leading Index is now at this midpoint of the cycle, there are several trends to watch for over the remainder of this year. The Coincident indicators should begin to reflect the moderation currently being seen in the Leading Index some time before the end of the year (the Leading Index is a forecasting index) and over the coming months the Leading Index should establish a new trend.

This emerging trend for the Leading Index could be a re-acceleration as it did at the end of 1996 or alternatively it could continue slowing but at a more rapid pace. Both outcomes are important to government and business decision makers. Extending the expansion beyond 2007 or preparing for slower growth and eventual decline call for different policy approaches. The likely future performance of the Leading Index will become more easily detected over the coming six months setting up the future path for the Fairfax County economy in 2007 and beyond.

## Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Apr-06 Prelim.	Mar-06 Final	Apr-05 Final	Mar-06 to Apr-06	Apr-05 to Apr-06
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	139.61	137.04	131.88	1.88	5.86
Leading Index (1987 = 100)	109.91	110.01	107.53	-0.09	2.21
<b>Fairfax County Coincident Index Components</b>					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	633,357	629,256	611,548	0.65	3.57
<i>Estimated Total Wage &amp; Salary Employment (Unadjusted)</i>	<i>628,107</i>	<i>624,310</i>	<i>606,479</i>	<i>0.61</i>	<i>3.57</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	855	773	714	10.57	19.67
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>1,534</i>	<i>1,509</i>	<i>1,241</i>	<i>1.70</i>	<i>23.64</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	9,329	10,032	9,178	-7.00	1.65
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>12,728</i>	<i>12,979</i>	<i>12,048</i>	<i>-1.93</i>	<i>5.64</i>
South Atlantic Consumer Confidence	159.3	154.5	134.2	3.11	18.70
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	5,454	7,228	5,497	-24.54	-0.78
<i>Automobile Registrations (Unadjusted)</i>	<i>5,362</i>	<i>7,345</i>	<i>5,404</i>	<i>-27.00</i>	<i>-0.78</i>
Initial Unemployment Claims (Seasonally Adjusted)	746	736	873	1.40	-14.57
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>739</i>	<i>806</i>	<i>865</i>	<i>-8.31</i>	<i>-14.57</i>
South Atlantic Consumer Expectations (Unadjusted)	112.9	99.5	92.2	13.47	22.45
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	601,086	599,866	587,372	0.20	2.33
<i>Total Labor Force (Unadjusted)</i>	<i>600,124</i>	<i>596,891</i>	<i>586,432</i>	<i>0.54</i>	<i>2.33</i>
Employed Labor Force (Seasonally Adjusted)	585,775	585,793	571,404	0.00	2.52
<i>Employed Labor Force (Unadjusted)</i>	<i>586,100</i>	<i>583,595</i>	<i>571,721</i>	<i>0.43</i>	<i>2.52</i>
Unemployed Labor Force (Seasonally Adjusted)	15,311	14,074	15,968	8.79	-4.12
<i>Unemployed Labor Force (Unadjusted)</i>	<i>14,024</i>	<i>13,296</i>	<i>14,711</i>	<i>5.48</i>	<i>-4.67</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.5%	2.3%	2.7%	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>2.3%</i>	<i>2.2%</i>	<i>2.5%</i>	<i>--</i>	<i>--</i>

Notes: Where available, seasonally adjusted estimates are used in the indices. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data. In September 2004, the Transient Occupancy Tax was increased from 2% to 4%. All original values prior to September 2004 were doubled for consistency.

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We are on the web at:  
[www.co.fairfax.va.us/comm/  
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)

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